GOVERNMENT OF INDIA
SHIPPING
LOK SABHA

UNSTARRED QUESTION NO:7291
ANSWERED ON:15.05.2002
EXCESS PAYMENT
GANGASANDRA SIDDAPPA BASAVARAJ

Will the Minister of SHIPPING be pleased to state:

(a) whether the Chennai Port Trust made an excess payment of Rs. 8.72 crore to the contractor by incorrect computation of cost escalation without deducting the cost of rocks supplied at fixed rate from the value of the work ;

(b) if so, the details thereof ; and

(c) the steps taken by the Government to recover the excess amount ?

Answer

MINISTER OF STATE IN THE MINISTRY OF SHIPPING (SHRI SHRIPAD Y.NAIK)

(a)&(b) The Ennore coal port project was executed by Chennai Port Trust as an executing agency. As a part of this project, a contract was awarded to M/s. Hindustan Construction Company Ltd. and Van Oord Acz. JV for the construction of two breakwaters at a cost of Rs.232.87 crores. As per the contract agreement, Chennai Port Trust was to supply rocks at a fixed cost of Rs. 250.00per tonne. The contract agreement also had an escalation clause as per guidelines of Asian Development Bank (ADB), the funding agency.There was no provision in the escalation clause to exclude the cost of rocks from the gross value of the work to calculate escalation amount. Hence, while calculating the escalation payable for the work done, the cost of the rocks supplied at fixed rate was not deducted by the Chennai Port and the contractor was paid as recommended by the Consultant M/s Haskoning, a Royal Dutch Consulting Engineers for the project. However, the Accountant General (Audit) is of the view that the cost of the rock supplied at fixed rate should have been deducted while considering the gross value of the work executed to calculate the escalation amount. The Audit has accordingly stated in Para 9.1 of its Report No. 4 of 2002 (Civil) that incorrect computation of cost escalation without deducting the cost of rocks supplied at fixed rate from the value of work done resulted in excess payment of Rs. 8.72 crores.

(c) The Chennai port encashed the bank guarantee for Rs. 2.41 crores and withheld Rs. 6.39 crores from the running bills. The contractors obtained an interim injunction from the High Court against such encashment and the case is presently pending with the Arbitral Tribunal.